

Attachment 3
Question 26
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

ACUTE CARE PROVIDER RATES

On average, for acute care provider codes for which both Medicare and Colorado Medicaid pay, Medicare fee schedule rates dropped 11.5% from fiscal year 2007 to fiscal year 2008. Medicare rates only increased for 141 of the 5,025 Medicare physician fee schedule codes that Medicaid also pays.

It would cost approximately \$485,830 to ensure that the acute care provider codes for which both Medicare and Colorado Medicaid pay do not fall lower than the fiscal year 2006-2007 percent of Medicare for the same service in fiscal year 2008-2009. This estimate was calculated using the following assumptions:

- Medicare doesn't cover exactly the same codes as Medicaid. For example, some procedure codes specific to children are not Medicare benefits. These codes are not included on the Medicare fee schedule. Only procedure codes with both a Medicaid fee schedule rate and a corresponding Medicare fee schedule rate were included in this calculation. It further assumes no change in utilization.
- Some Medicaid covered procedure codes are currently paid at a percentage higher than 100% of Medicare rates. An example is code 93350 (echocardiography during rest and cardiovascular stress test).

Procedure code 93350

| <u>Year</u> | <u>Medicaid Rate</u> | <u>Medicare Rate</u> | <u>Percentage of Medicare</u> |
|-------------|----------------------|----------------------|-------------------------------|
| 2007 | \$269.64 | \$172.34 | 156.46% |
| 2008 | \$269.64 | \$174.80 | 154.26% |

When estimating Medicaid costs for fiscal year 2008-2009, the Medicaid rate for this code will remain at \$269.64 since that rate is above the 2008 Medicare rate. The Department applied this methodology when estimating costs for procedure codes currently paid at a percentage higher than 100% of Medicare rates to ensure that Medicaid rates do not exceed federal upper payment limits. Very few Medicaid procedure codes fall into this scenario.

- Some Medicaid covered procedure codes were paid at a rate higher than 100% of Medicare rates in 2007, but less than 100% in 2008. An example is code 93539 (injection procedure during cardiac catheterization).

Procedure code 93539

| <u>Year</u> | <u>Medicaid Rate</u> | <u>Medicare Rate</u> | <u>Percentage of Medicare</u> |
|-------------|----------------------|----------------------|-------------------------------|
| 2007 | \$33.49 | \$20.87 | 160.46% |
| 2008 | \$56.76 | \$56.76 | 100% |

When estimating Medicaid costs for fiscal year 2008-2009, the Medicaid rate for this code will be raised to \$56.76 due to an increase in the Medicare rate. The Department applied this methodology when estimating costs for procedure codes currently paid at a percentage higher than 100% of Medicare rates but which have fallen to less than 100% of Medicare rates in 2008 to ensure that Medicaid rates do not exceed federal upper payment limits. Very few Medicaid procedure codes fall into this scenario.

- Other Medicaid covered procedure codes are currently paid at a percentage lower than 100% of Medicare rates. An example is code 78006 (thyroid imaging).

Procedure code 78006

| <u>Year</u> | <u>Medicaid Rate</u> | <u>Medicare Rate</u> | <u>Percentage of Medicare</u> |
|-------------|----------------------|----------------------|-------------------------------|
| 2007 | \$80.64 | \$151.18 | 53.34% |
| 2008 | \$89.47 | \$167.74 | 53.34% |

When estimating Medicaid costs for fiscal year 2008-2009, the Medicaid rate for this code will be increased to \$89.47 due to an increase in the Medicare rate. The Medicaid rate increase will be applied to ensure that the 2008 Medicaid rate does not fall lower than the 2007 percentage of the Medicare rate. Approximately 135 Medicaid procedure codes fall into this scenario.

- A large majority of Medicaid covered procedure codes currently paid at a percentage lower than 100% of Medicare rates will not be receiving rate increases. An example is code 26418 (repair of finger tendon).

Procedure code 26418

| <u>Year</u> | <u>Medicaid Rate</u> | <u>Medicare Rate</u> | <u>Percentage of Medicare</u> |
|-------------|----------------------|----------------------|-------------------------------|
| 2007 | \$160.46 | \$600.61 | 26.72% |
| 2008 | \$160.46 | \$494.12 | 32.47% |

When estimating Medicaid costs for fiscal year 2008-2009, the Medicaid rate for this code will remain at \$160.46 due to a decrease in the Medicare rate. The Medicaid rate will remain the same to ensure that the 2008 Medicaid reimbursement rate is not decreased even though the Medicaid rate as a percentage of the Medicare rate will change.

As shown in the scenario for code 26418 above, some Colorado Medicaid rates will compare more favorably when viewed as a percentage of Medicare rates in 2008, even though the actual Medicaid rates have not increased. This is due to Medicare's rate reductions between fiscal year 2007 and fiscal 2008. This should be taken into consideration when considering future acute care provider rate adjustments.

Inpatient Hospital Rates

For FY 2007-08, the Medicaid inpatient hospital rates were set at 91.3% of the Medicare rates.

The inpatient Medicaid rates effective for FY08-09 will be based on the Medicare rates effective October 1, 2007. These Medicare rates include a 3.3% hospital market based increase. However, several other components of the Medicare rate such as the wage index and geographic adjustment factor declined for Colorado hospitals, primarily for the Denver area hospitals. Additionally, the Centers for Medicare and Medicaid Services has discontinued the large urban add-on adjustment that previously increased the capital component of the Medicare rate for Denver area hospitals by 3%. Therefore, the majority of the urban hospitals received adjustments to their Medicare rate which offset the hospital market basket increase.

Based on the Department's calculation of the estimated budget neutrality expenditure threshold for FY 2008-09, an additional 0.5%, or approximately \$1.35 million, would be needed to maintain Colorado hospitals at 91.3% of the Medicare rate for the FY 2008-09 Medicaid inpatient hospital rate.